

Message Text

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FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 3150

DEPT OF COMMERCE WASHDC

INFO AMEMBASSY VIENNA

UNCLAS BUDAPEST 1321

VIENNA FOR EWTC

E.O. 11652: N/A

TAGS: EFIN, ETRD, HU

SU

AJ: NEW JOINT VENTURE LAW FOR HUNGARIAN ENTERPRISES

REF: STATE 094614

1. EMBASSY HAS PREPARED UNOFFICIAL TRANSLATION OF JOINT DECREE OF FINANCE AND FOREIGN TRADE MINISTRIES RE FOREIGN ECONOMIC VENTURES AND IS POUCHING COPIES TO DEPARTMENT AND USDOC.

2. IN SUMMARY, DECREE ALLOWS HUNGARIAN ENTERPRISES TO ESTABLISH AND MAINTAIN FOREIGN ECONOMIC VENTURES IN PRODUCTION SERVICES OR TO PROMOTE FOREIGN MARKETING ACTIVITIES DOMESTIC ENTERPRISES. DECREE OFFERS SUBSTANTIAL TAX BENEFITS TO ORGANIZATIONS ESTABLISHING FOREIGN VENTURES. TAX ON PROFIT OF SUCH VENTURES 10 PERCENT OF PROFITS FOR FIRST 8 YEARS AND 30 PERCENT OF PROFITS DURING 9-12TH YEARS OF OPERATION. STANDARD TAX RATES ON PROFITS APPLY ONLY FOLLOWING 12TH YEAR AFTER FOREIGN ECONOMIC VENTURE'S ESTABLISHMENT, OR AT TIME INVESTMENT FULLY AMORTIZED. MONEY FOR ESTABLISHMENT OF SUCH VENTURES MAY COME FROM EITHER ENTERPRISES' OWN DEVELOPMENT FUNDS, CREDITS GRANTED BY NATIONAL BANK AGAINST ENTERPRISE DEVELOPMENT FUNDS, OR LOANS AND GRANTS FROM STATE BUDGET. APPLICATIONS TO

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ESTABLISH SUCH VENTURES ABROAD MUST BE MADE TO HUNGARIAN

FOREIGN TRADE BANK.

3. DECREE DOES NOT RPT NOT CONTAIN ANY SPECIFIC REFERENCES TO FACT THAT CONTEMPLATED FOREIGN ECONOMIC VENTURES WOULD BE JOINT VENTURES WITH FOREIGN BUSINESS PARTNERS. EMBASSY INTENDS TO DISCUSS NEW VENTURE DECREE WITH FOREIGN TRADE BANK AND FOREIGN TRADE MINISTRY IN NEAR FUTURE AND WILL CLARIFY THIS POINT AT THAT TIME. PRINCIPAL PURPOSE OF NEW DECREE IS CLEARLY TO ENCOURAGE A MORE AGGRESSIVE APPROACH TOWARDS EXPORTS BY HUNGARIAN FIRMS, PARTICULARLY IN VIEW OF SLUGGISH EXPORT PERFORMANCE DURING PAST HALF YEAR.
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